

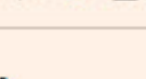
# Advertisers stick by Facebook despite privacy scandal

Revenues at social network continue to rise undeterred by revelations of data breach



Sheryl Sandberg, Facebook's chief operating officer, said ads were a 'natural fit' for the platform as the company revealed rising sales © FT montage

Hannah Kuchler in San Francisco 3 HOURS AGO



Facebook has spent months trying to assuage the doubts of lawmakers, regulators and users who have been angered about the company's role in privacy, disinformation and elections. But the social network's first-quarter earnings showed advertisers had few such qualms about its role in the world.

Revenue — the vast majority of which is generated from advertising — resumed its rapid growth in the [first quarter](#). Advertisers spent enough to push revenues up 49 per cent year on year to almost \$12bn and helped boost net income by 63 per cent to almost \$5bn.

Sandy Rubenstein, chief executive of DXAgency, a US advertising business, said she was advising clients to “stay the course” — even after the revelations of a massive [data leak to Cambridge Analytica](#) became the latest crisis to shake trust in Facebook.

The revelations that a data analysis company used by the presidential campaign of Donald Trump had allegedly gained access to Facebook user data improperly highlighted the scale and detail of information collected by Facebook. Yet it is this that has continued to lure advertisers from TV and other traditional media, using the platform's reach and data to target specific audiences with tailored marketing messages.

“There's such a different type of granular ability to target you can achieve on places like Facebook and Instagram,” Ms Rubenstein said, referring to the Facebook-owned photo-sharing app.

Facebook and Google dominate the [digital advertising market](#), giving advertisers who want to target people online little choice but to spend on the sites. Facebook is forecast to control 18 per cent of the global digital advertising market this year, behind Google with 31 per cent, according to research firm eMarketer.

## Facebook's stellar sales growth

Revenues (\$bn)



Source: Bloomberg © FT

Debra Aho Williamson, an analyst at eMarketer, said advertisers often plan their spending weeks or months in advance, so any change as a result of the Cambridge Analytica revelations may not have kicked in during the first quarter.

However, she believes most remain committed to the platform. “It's just too big and too important to their marketing plans to ignore,” she said.

On the first-quarter earnings call on Wednesday, Sheryl Sandberg,

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David Wehner, Facebook's chief financial officer, said the worst-case scenario was that a considerable proportion of users choose to opt out of sharing much of their data with advertisers. That could hit marketers' return on investment and hit Facebook's advertising revenue.

But Mr Wehner said he hoped users will see the value in “more relevant, personalised ads”.

The company is also trying to show users it is committed to fixing its problems. A new advertising campaign stresses that Facebook is “a place for friends”.

“Clickbait is not your friend”, reads one ad.

“Fake news is not your friend”, reads another.

After a difficult start to the year, Facebook's investors can take solace in the fact that advertisers still appear to be their friends.

will govern how companies manage user data from the end of next month.

Ms Aho Williamson said advertisers will be looking to see if [Facebook](#) users post less frequently, share less information on the platform or change their settings to limit the information advertisers can use for their targeted messaging. Some advertisers that relied on the capabilities Facebook is removing in the wake of the Cambridge Analytica scandal — such as providing data to data brokers including Experian and Axciom — may need to find other ways to advertise on Facebook.

Before the earnings, analysts had also been nervous about whether Facebook's changes to the news feed would hit user growth and time spent on the platform.

## Facebook's broadening reach

Monthly active users (bn)



Source: Bloomberg © FT

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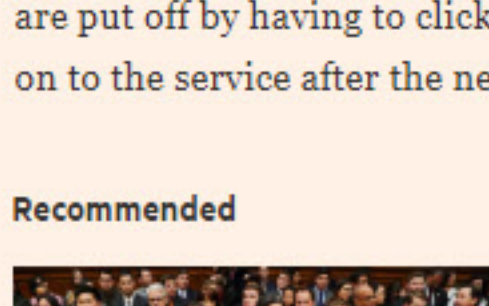
Facebook has tweaked the algorithm behind the service to promote more “meaningful connections” in response to concerns about fake news and the psychological toll on users of mindless browsing on social media. It is showing more content posted by friends and family and less from businesses and publishers, which it warned would hit the time users spent on the platform.

Yet the numbers of monthly active users continued to grow to 2.2bn and ticked back up in the US and Canada after a dip last quarter.

Facebook did not provide an update on the time users spend on the platform, which declined last quarter. But Brian Wieser, an analyst at Pivotal Research, said data from Nielsen up until February 2018 showed a decline in time spent per user — and that Instagram was not growing fast enough to make the difference.

Company executives also offered few solid predictions about the impact of GDPR but warned that user growth could stall if people are put off by having to click through consent screens when they log on to the service after the new consent requirements are rolled out.

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